

BUDGET LETTER

NUMBER:	96-08
SUBJECT: 1997-98 BUDGET DEVELOPMENT POLICY GUIDELINES	DATE ISSUED: JULY 26, 1996
REFERENCES:	SUPERSEDES: 95-10

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE (DOF)

Building on the accomplishments of the 1996-97 State Budget, the 1997-98 Governor's Budget will continue to advance the Administration's agenda to improve the state's business climate for job creation, maintain education as the top budget priority, expand the Governor's Prevention Agenda, and strengthen law enforcement for safer California communities.

This Budget Letter sets forth the Administration's policy priorities for preparing the 1997-98 Governor's Budget. As a reminder, Budget Letter 96-03, issued June 26, 1996, outlines the technical and procedural requirements for preparation of the 1997-98 Budget. These two documents provide the framework necessary for the completion and submission of proposed departmental budgets.

The 1997-98 Governor's Budget will live within the State's means and be balanced **without new taxes or tax increases**.

A second overarching principle for the development of the 1997-98 Governor's Budget is that it will fully incorporate the reforms set forth in the *Competitive Government* report of 1996. A separate letter will be distributed describing the process to be followed for inclusion of these proposals in the budget. All California Competes issues must be submitted as budget change proposals (BCPs) and are due to the Department of Finance by September 11, 1996. The principles set forth in the report are as follows:

- Rightsizing state government - streamlining state government by ending unnecessary functions, transferring self-sustaining activities to the private or non-profit sector, consolidating overlapping functions and returning authority and resources to local government.
- Choosing value for the taxpayers - removing the artificial barriers to competition and pursuing competition in government services.

- Cutting red tape - reducing unnecessary red tape and streamlining the regulatory process.

The Administration will consider General Fund expenditure growth, based on the availability of resources, in the priority areas of education, public safety, and prevention services. Precedence will also be given to programs which clearly develop and sharpen California's competitive edge and economic strength.

Departments should therefore plan that General Fund support for 1997-98 in all other areas will be no higher than the level provided in 1996-97. Funding requests for program maintenance, expansion or new programs will be considered **ONLY** if proposed through a redirection of existing resources or the elimination of workload from less critical program areas. Requests for other than General Fund will be considered only if the proposed funding source has a sufficient uncommitted reserve.

Chapter 201, Statutes of 1996 (AB 3493)

Pursuant to this statute, the DOF must provide to the Legislature on or before February 1, of each year, all proposed statutory changes, as prepared by the Legislative Counsel, necessary to implement the Governor's Budget. Therefore, all BCPs which require statutory changes must also include a copy of the proposed legislation. The DOF will be responsible for submission of the proposals to the Legislative Counsel.

AB 3493 also requires a change in the time and manner in which the DOF prepares the traditional May Revision of the Governor's Budget. Specifically, it requires DOF to provide to the Legislature, by April 1 of each year, all proposed budget adjustments including any proposed policy adjustments, except as specified below:

- By May 1 - all proposed adjustments to the Governor's Budget for appropriations for capital outlay;
- By May 14 - an estimate of General Fund revenues for the current and ensuing fiscal year, any proposals to reduce expenditures to reflect updated revenue estimates, and all proposed adjustments to Proposition 98 expenditures;

The result of these changes is that the budget development process will no longer be considered continuous. The January Budget should include all policy proposals that are being made for the ensuing fiscal year. The March Finance Letters should be used only for a) updating those proposals made in January, or b) submitting any new proposal of sufficient importance that has arisen since the fall budget process. The May changes to the budget will encompass **only** traditional enrollment, caseload, and population adjustments and, if necessary, any budget balancing proposals.

Strategic Planning Requirements

All agencies and departments are required to have an approved strategic plan by July 1, 1997. Beginning with Fiscal Year 1998-99, strategic plans will be linked to the budget process. All 1998-99 budget change proposals will be considered for approval only when an entity has an approved strategic plan and the request will be required to be consistent with that plan. A separate letter will be provided that describes the elements of a strategic plan.

If you have any questions, please contact your Department of Finance budget analyst.

A handwritten signature in black ink, appearing to read 'Craig L. Brown', with a stylized flourish at the end.

CRAIG L. BROWN
Director